

ISSUE DATE: July 25, 2000

DOCKET NO. P-414,416,421/CP-97-44

ORDER AFFIRMING ORIGINAL ORDER ON RECONSIDERATION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott  
Edward A. Garvey  
Joel Jacobs  
Marshall Johnson  
LeRoy Koppendrayner

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Petition for Extended Area  
Service from Nicollet to Mankato,  
St. Peter, and Cambria

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**PROCEDURAL HISTORY**

On May 5, 2000, the Commission issued its Order Establishing Rates for Polling in this Extended Area Service (EAS) case. Among other things, that Order excluded lost access charges and toll revenues in calculating EAS rate additives, instead relying on the affected companies to develop other mechanisms to recover these lost revenue streams.

The following parties filed timely petitions for reconsideration: Mankato Citizens Telephone Company and Mid-Communications, Inc., filing jointly; U S WEST Communications, Inc.; Sprint Minnesota, Inc.; and the Minnesota Telephone Association. Since Sprint and the Minnesota Telephone Association were not parties to the original proceeding, they also filed petitions to intervene, which were granted by operation of law under Minn. Rules 7829.0800, subp. 5.

On May 30, 2000, the Minnesota Department of Commerce filed comments opposing reconsideration and supporting the May 5 Order.

On June 20, 2000, the petitions came before the Commission.

## **FINDINGS AND CONCLUSIONS**

The Commission has reexamined its May 5 decision and concludes that it should be affirmed.

The Commission finds that none of the parties seeking reversal of the May 5 Order has raised new issues, pointed to new and relevant evidence, exposed errors or ambiguities in the original Order, or otherwise raised concerns persuading the Commission that it should change its original decision. The Commission concludes that the original decision is the one most consistent with the facts, the law, and the public interest. That decision will be affirmed.

## **ORDER**

1. The Commission affirms its May 5, 2000 Order.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)

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**Views of Commissioner Edward Garvey  
on the Almelund and Nicollet EAS Petition Decisions  
Docket Nos. P-407, et al./CP-97-1237 and P-414, 416, 421/CP-97-44**

By deciding to remove access charges and toll revenues from extended area service (EAS) additives as part of the Nicollet and Almelund EAS petitions, the Commission did the right thing in the wrong way. It is right to remove such costs from EAS additives. These costs are implicit subsidies in the EAS additives that should be eliminated if we are ever to get to cost-based pricing and true competition for local telephone service.

That being said, it is wrong to make these types of sweeping changes in individual EAS dockets. A more generic approach should be pursued. I advocate this for three reasons. First, all ratepayers, not just those who happen to be located within the Almelund and Nicollet exchanges, should benefit from the lower prices which result when access charges and toll revenue are eliminated from EAS additives. However, that is not the case (nor can it be) when the Commission, led by the Department of Commerce, pursues these changes on a case-by-case basis. Implementation of these policy changes on a case-by-case basis is too slow and does not benefit those ratepayers (likely, the majority of Minnesotans) who already have these EAS implicit subsidy additives built into the price of their local telephone service. A generic proceeding would allow the Commission to apply this benefit to all Minnesotans, as opposed to just the lucky few communities who now seek, and those who will subsequently seek, EAS.

Second, EAS is a complicated mess that should be “fixed.” By attempting to remedy EAS on a case-by-case basis, the Commission and the Department have just made the situation more complicated. Alternatively, utilizing a generic approach could result in systemic solutions.

Finally, the Commission’s decision in this case disrupts the ugly but delicate EAS balance. In order to give the public its preferred flat rate calling plans, which generate revenue losses to telephone companies as a result of lost access charges and toll revenues, a complicated EAS process was designed to provide telephone companies with revenue neutrality. No one really likes this type of process but it is what happens when there is a need to balance two competing interests. An ugly compromise occurs.

However, the Commission’s decision to remove access charges and toll revenues from the EAS additive means that telephone companies will no longer be kept whole. That, in turn, means that the ugly balance is undone with the probable result being that telephone companies will be much less likely to accommodate EAS efforts. That opposition will not help the public we serve nor make for a very efficient regulatory process. A generic process would likely address the lost revenue issue in a thorough and thoughtful manner, in addition to providing an opportunity for the Commission to address the myriad of other issues which result from the decision to remove access charges and toll revenues from EAS additives.

In order to achieve an admirable goal, the Commission took the easy way out. It may work, but I have my doubts. Difficult situations can rarely be solved with easy decisions that lack consensus. Rather, such decisions often make difficult situations worse. I fear that this is the case with EAS. A generic approach, although more time consuming, is more likely to achieve the desired results and, in turn, benefit a greater number of people.